



**LANCASHIRE SKILLS
& EMPLOYMENT HUB**



ECONOMIC RETURNS TO APPRENTICESHIPS

EXECUTIVE SUMMARY

Economic Returns to Apprenticeships: Executive Summary

Introduction

The Lancashire Skills and Employment Hub and LESEP commissioned L&W Institute to investigate the economic value of apprenticeships, reviewing literature on the returns from apprenticeships for individualsⁱ. It considers higher wages earned by individuals (wage premium) and enhancement of individuals' employment prospects (employment premium). The evidence about these two factors is used to develop an economic model which attempts to quantify the economic impact of apprenticeships. This model is applied to apprenticeship provision in the Lancashire Enterprise Partnership area which includes Lancashire County Council and the unitary authorities of Blackburn with Darwen and Blackpool (henceforth specified simply as 'Lancashire').

Wage & Employment Returns

The literature review clearly identified positive and statistically significant wage returns to apprenticeships, by level, gender, level and gender combined. Some estimates of the wage returns are shown in the paper. Emerging patterns include:-

- The wage returns from an apprenticeship for men are higher than for women.
- For both men and women, undertaking an apprenticeship by the age of 24 provides a greater wage return than undertaking an apprenticeship at age 25 or older.
- Two of the studies reviewed suggested that a significant factor behind the gender difference in wage returns was the different industries in which men and women tended to undertake apprenticeships with men concentrated in higher paying industries and women in lower paying ones.
- Having an apprenticeship at either Level 2 or Level 3 increases both men and women's chances of being in employment.
- Additional earnings per apprentice are higher for level 3 (£2,897) compared to level 2 (£1,918).

There is clear evidence that the wage returns to apprenticeships vary greatly across sectors. These tentative conclusions cover six sectors as shown in the table below.

Tentative Estimates of the Wage Returns to Apprenticeships by Industry

Industry	Level 2	Level 3
Construction	10.5%	24.5%
Manufacturing	12.0%	25.0%
Public Administration and Defence	-	16.0%
Retail	-	20.0%
Hotels and Restaurants	6.0%	14.0%
Transport and Communications	27.0%	25.0%

Returns for Businesses

Evidence also suggested that businesses gain from investing in apprenticeships including:-

- Increased profitability;
- Higher levels of skills within businesses allowing greater capacity for innovation and knowledge transfer; and
- Savings in recruitment costs.

The most reasonable conclusion was to assume a 50:50 split of the productivity gains from apprenticeships between workers in terms of wages and businesses in terms of profits.

Quantifying Returns to Individuals and Businesses

For those that studied at level 2 and level 3 the total additional annual earnings for 2017/18 is £25.3 million. This is equivalent to £2,426 per apprentice.

Assuming the additional productivity gains are divided equally between workers and the businesses they work for (a 50:50 split) then **the returns to businesses are also £25.3 million. In total workers and their businesses are estimated to gain £50.6 million.**

ⁱ Economic Returns to Apprenticeships